

BEFORE THE POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

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**Institutional Cost Contribution  
Requirement for Competitive Products**

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**Docket No. RM2017-1**

**COMMENTS OF THE  
NATIONAL ASSOCIATION OF PRESORT MAILERS  
(March 09, 2017)**

The National Association of Presort Mailers ("NAPM"),<sup>1</sup> respectfully submits these reply comments in response to the Initial Comments filed by United Parcel Service on January 23, 2017 in this proceeding.

Our members interact with, and collect mail from, tens of thousands of mail consumers and combine their mail together to present it as a single mailing to the Postal Service so that the client can receive the benefits of workshare postage discounts with minimal involvement with the complex mailing standards required of the Postal Service.

The members of NAPM are valued partners with the Postal Service, delivering high quality mail to the Postal Service with accurate addresses, high quality barcodes, and high density preparation levels, transported and entered where the Postal Service wants it, bypassing many initial processing functions. As professional mailers, our members provide customers full mailing services meeting ALL their mailing needs – including their package mailing needs. NAPM members are committed to ensuring this mail remains profitable and in the Postal system. We are true partners with the Postal Service: we sell their products, our customers are USPS customers, and just like the Postal Service, without the US mail we don't have a business.

Recognizing that (1) the Postal Service's success in package delivery benefits our members and all mailers of market-dominant products, (2) USPS has been aggressively

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<sup>1</sup> NAPM is a nonprofit organization that represents mailers, both mail owners and mailing service providers who commingle, sort and prepare quality mailings inducted and compliant with work share requirements. Representing over 100 member companies mailing in 36 states, it collectively provides approximately 35% of the total First Class mail volume and over 50% of the Full Service volume. NAPM member mail service provider companies interact with and perform mailing services for tens of thousands of clients and businesses that use postal mailing products.

pursuing and voluntarily increasing the institutional cost contribution from its competitive products, and (3) setting the minimum contribution requirement too high could jeopardize the Postal Service's competitive position in the package delivery market, the NAPM respectfully requests the Commission to reject UPS's proposal to substantially increase the minimum contribution requirement.

The NAPM joined in Initial Comments (as part of a coalition of mailers and shippers) encouraging that while the Commission should consider elimination of the minimum contribution requirement, we strongly opposed any increase to the existing requirement. Nothing in any subsequent comments submitted has changed our view that the minimum contribution requirement may be unnecessary and should be eliminated but we remain adamant that any increase would be even more harmful to the consumer, the mailing Industry, and the USPS.

We are particularly concerned with UPS's proposal to *substantially increase* the requirement. UPS Initial Comments at 33-39. This would compel the Postal Service to raise competitive product prices substantially, jeopardizing the Postal Service's competitive position in the package delivery market and the substantial contribution that these products make to the Postal Service's financial position.

Furthermore, we disagree with UPS's contention that the Postal Service's cost models are not transparent or accurate. The Postal Service's response in the FY 2016 ACR proceeding rings true to NAPM:

UPS uses its comments to continue to harp on ill-defined complaints about costing and the transparency of the costing methodologies. Many of [UPS's] claims are extremely misleading, because they are based upon convenient narratives, rather than actual analysis of the Postal Service's submission. In many respects, the UPS comments seem to be more an exercise in casting aspersions than identifying actual issues.

Docket No. ACR2016, USPS Reply Comments (February 13, 2016) at 18.

Needlessly increasing USPS prices would harm NAPM members who use shipping products that depend on the Postal Service for final delivery. The NAPM relies on the Commission to ensure that the mailing industry maintains a level playing field.

Proposed changes to postal costing systems should be evaluated in the context of a focused rulemaking procedure where they can be thoroughly vetted. If the Commission finds that changes in the cost models are appropriate it should make the change directly, not indirectly through pricing rules like the minimum contribution requirement. *These changes require careful review because damaging the Postal Service's ability to compete in the growing package delivery market through unneeded regulation would harm the Postal Service and all of its customers.*

The NAPM and the industry have learned over the years that making decisions based on some seemingly reasonable rationale quite often results in *unintended consequences*. We do not want to see this happen in this market segment that is so critical to the future of the mailing industry.

The Commission should reject UPS's proposal to substantially increase the minimum contribution requirement. As we explained in our Initial Comments, the Commission should consider the elimination of the minimum contribution requirement altogether.

The NAPM offers these comments as a trusted partner that is invested in the long-term success of the Postal Service and appreciates the Commission's consideration of these reply comments.

Respectfully submitted,

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